

# Associated Entities Policy

## 1. Introduction

- 1.1 LSE is a dynamic institution which seeks to promote a wide range of activities to support its strategic priorities of promoting teaching and learning, research, and public engagement in the social sciences.
- 1.2 Sometimes, these activities will necessitate the creation of, or involvement with an auxiliary body, defined herein as an 'Associated Entity.'
- 1.3 The aim of this policy is to define the nature of these various Associated Entities: to establish how and why they arise, to highlight the nature of the risks to which these entities may give rise, and to stipulate the monitoring mechanisms which the School maintains over its relationship with such operations.

## 2. Definitions and Exemptions

- 2.1 The School's list of Associated Entities currently covers: Subsidiary Companies, Corporate Entities, Journals, Academic/ Research Relationships and Other Miscellaneous Relationships (which includes research-focused tenancies and health services).
- 2.2 'Associated Entity' is, therefore, a necessarily catch-all definition, covering a wide variety of relationships.
- 2.3 A body performing the activity undertaken is referred to as an Associated Entity because entering into such a relationship associates it with LSE's brand and reputation, and the attainment of its strategic priorities.
- 2.4 Ideally, an Associated Entity is established when activities which support the School's strategic priorities need to be managed and governed outside of its formal constitutional arrangements. There may also be legal, regulatory, commercial, financial, or other reasons why the School is not able to run such activities itself, or it would be more beneficial for the activities to be provided through a third party.
- 2.5 The School may set up the entity to be run by a third party under a formal agreement, or it may respond positively to an approach initiated by a third party which ties their activities, and therefore reputation, closer to the School's aims.

- 2.6 Associated Entities may also arise, particularly in academic areas, as a necessary part of the drive for public engagement, or as part of the kind of interactions and activities that are a regular part of inter-institutional research.
- 2.7 Sometimes, these entities will be recognised when previously integrated elements of the School are separated out to form new relationships.
- 2.8 Contracts with third parties for the provision of goods and services do not normally constitute an associated entity relationship, unless a separate body is set up by mutual agreement between the parties for the purpose of overseeing and managing the operation of the contract.
- 2.9 Research activities of departments and research centres, and other LSE Institutes and groups, are monitored by Research Division through the Governance of Research policy, and do not qualify as Associated Entities, because they are assumed to be related to the core activities of the School.
- 2.10 A tenancy does not constitute an Associated Entity, although the activities of the tenant on School premises may do so. Tenancies are not therefore recorded on the register of entities unless the tenant has an associated entity relationship with the School as defined by this Policy.
- 2.11 Only two categories of journals are regarded as Associated Entities under this policy: LSE-owned journals and Student journals.
- 2.12 External journals, either with no visible association or associated with LSE for reputational benefit, are not regarded as Associated Entities under this policy. Further guidance about the categorisation of journals can be found at Annex A.
- 2.13 Before the approval by Council of the first version of this policy in August 2013, a number of external entities were set up by, or became associated with, the School which may not possess all the characteristics of an Associated Entity as defined above. For example, such an external entity may not support the School's strategic priorities; or there may be gaps in its governance or management arrangements. The School aims over time to bring all such entities into line with this policy as far as appropriate and practicable.

### 3. Monitoring of Risks in Associated Entities

- 3.1 The School maintains a central register of current Associated Entities. Entities covered by paragraph 2.1 above are identified on that register.
- 3.2 The School's Ethics Code states that Council needs to 'oversee transparent systems for and record the approval of new institutional relationships with outside parties, and by which the appropriateness of existing institutional relationships can be monitored.' The School's Associated Entities qualify as such relationships. In all dealings with Associated Entities, the School will follow the principles of integrity set out in the Ethics Code, as well as its independence in engaging with outside parties.
- 3.3 Any activity linked to an Associated Entity has the potential for risk to the School's finances or reputation. For these risks to be sustainable, the activities of the entity need to be controlled, both through the appropriate approved processes for establishing an Associated Entity, through on-going governance and monitoring, and through regular reporting arrangements between the School and the entity. There must also be a clearly established process for terminating the association with the School for good cause. Any analysis of the School's exposure to risk should be made with reference to the Risk Policy and Risk Strategy.
- 3.4 The activities of all Associated Entities shall be governed by an appropriate form of agreement between the School and the individual or body with authority to enter into an agreement on behalf of the entity. This may take the form of a simple Memorandum of Understanding, or, if the risks arising from the activities of the entity are considered sufficiently great to require it, a legally binding contract signed between the parties.

Agreements will include exit clauses specifying the circumstances and processes by which the Associated Entity relationship may be terminated by either party.

- 3.5 All new Associated Entities should be governed by the School's Financial Regulations. The School will need to be satisfied that effective financial and governance arrangements are in place for all entities, whether with reference to the School's Regulations, or to other such codes.
- 3.6 Unless otherwise explicitly laid out in an Associated Entity's agreement with LSE, the Entity will not receive any LSE IT provision other than a connection to the Internet (for Entities based on LSE premises).
- 3.7 Should the Associated Entity take the form of a subsidiary company, the entity will be governed by the provisions in the Financial Regulations relating to subsidiary companies, which state: 'Creation of subsidiary companies must be approved by Council in accordance with the Subsidiary Procedure. The purpose of each subsidiary company is set out in a memorandum of Understanding between each entity and the School. Each year this memorandum is reviewed by the School Secretary and approved by Council.' An associated entity which takes the form of a Subsidiary Company is subject to the School's Fraud and Bribery Policy, in reference to Subsidiary Procedure 1.27.
- 3.8 Under the School's Scheme of Delegation, the School Secretary is the principal authorised signatory of Agreements governing the establishment and operation of new Associated Entities. A central register of the School's Associated Entities is kept on the Secretary's behalf. The main purpose of the register is to summarise the activities and governance arrangements of each entity, and to identify the risks which the activities of the entities pose to the School's finances and reputation, and how those risks are managed. The Risk Manager acts as the main point of contact for the management of risks relating to Associated Entities.
- 3.9 Once an Associated Entity has been created, the School will establish processes to monitor the operation of the necessary control processes as part of its risk management arrangements. Risks for each Associated Entity will be monitored by an appropriate member of LSE staff, usually a service leader or Head of Academic Department. Regular reporting of issues relating to the individual entity will be made to the Chief Operating Officer through the Risk Manager. Serious risks identified to the reputation and finances of the School will be escalated to the School's senior management for action at the earliest opportunity.
- 3.10 Occasionally, an Associated Entity may be created outside of the monitoring processes outlined above. The Chief Operating Officer will nominate a unit of the School to exercise an active watching brief to identify such entities, and in liaison with those responsible, seek to apply appropriate controls for their operation.
- 3.11 The implementation of this Policy will be the subject of an Annual Report to the Audit Committee and Council following consideration and comment by the School Management Committee, in the wider context of risk management in the School.

# Annex A: Further Guidance on Associated Entities

## Journals

As outlined in the Associated Entities policy, there are four different categories of journal associated with the School, which are graded by the varying levels of association. These levels are defined either by ownership, provision of resources, or public visibility.

Only two categories of journals are regarded as Associated Entities under this policy. The criteria for these categories is as follows:

i) LSE-owned.

Journals in this category **are** regarded as Associated Entities under this policy.

School owned journals are managed internally, and reviewed by Research Committee as part of the Governance of Research policy. The School accepts legal responsibility for the risks associated with the activities of these journals.

ii) Student journals.

Journals in this category **are** regarded as Associated Entities under this policy.

These journals are usually run by students, for student contributors. While oversight for student journals is managed at departmental level, they are essentially LSE-owned, at least in terms of exposure of risk. In some cases, student journals may be owned by an external publisher, which lessens the risk exposure to the School. The relationship between the School and the journal is managed by the Head of Department. The Library is establishing an Open Access Publishing platform and once established this will offer student journals a more stable home within School governed processes.

iii) External journals, but associated with LSE for reputational benefit.

External journals nominated as Recognised Groups **are not** regarded as Associated Entities under this policy. This is because governance arrangements for Recognised Groups obviate the need for further arrangements under this policy. These journals will be owned by an external publisher, but are linked to the School by the activity of an LSE academic, who will usually fulfil an editorial role. External journals can be promoted on the departmental websites for reputational benefit, with any such extra provision being signed off by the Head of Department, with careful reference to the School Policies on Associate Accounts and Electronic Messaging. Should External Journals be nominated as Recognised Groups for the purpose of LSE Research, they will be monitored by Research Division as part of the Governance of Research Policy.

iv) External journals with no visible association with the School.

Journals in this category **are not** regarded as Associated Entities under this policy. These journals will be owned by an external publisher, but are linked to the School by the activity of an LSE academic, who will usually fulfil an editorial role. These associations are acknowledged as an essential part of academic life, and are not monitored as part of the Associated Entities list, or by Research Division, unless they are linked to the School through the Research Governance exercise. Extra IMT support for these journals should be approved by Heads of Department, with careful reference to the School Policies on Associate Accounts and Electronic Messaging. With no further link to the School, these associations are the exclusive responsibility of the member of academic staff involved.

## Review schedule

Review interval	Next review due by	Next review start
3 years	Jan 2021	Oct 2020

## Version history

Version	Date	Approved by	Notes
1.0	1/8/2013	Council	
2.0	23/1/2018	School Management Committee	Updated to include criteria for School journals
2.1	27/3/2019	Risk Manager	Minor update to reference key DTS policies relating to IT provision

## Links

Reference	Link
Financial Regulations	<a href="https://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/internal/finRegs.pdf">https://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/internal/finRegs.pdf</a>
The Governance of Research	<a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/govResCen.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/govResCen.pdf</a>
Risk Policy	<a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/risPol.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/risPol.pdf</a>
Risk Strategy	<a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/risStr.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/risStr.pdf</a>
Subsidiary Procedure	<a href="http://www.lse.ac.uk/intranet/LSEServices/financeDivision/Financial-Procedures/FIN-PRO-1.27-Subsidiary.pdf">http://www.lse.ac.uk/intranet/LSEServices/financeDivision/Financial-Procedures/FIN-PRO-1.27-Subsidiary.pdf</a>
Associate Accounts policy	<a href="https://info.lse.ac.uk/staff/services/Policies-and-procedures/Assets/Documents/internal/polAsx.pdf">https://info.lse.ac.uk/staff/services/Policies-and-procedures/Assets/Documents/internal/polAsx.pdf</a>
Electronic Messaging policy	<a href="https://info.lse.ac.uk/staff/services/Policies-and-procedures/Assets/Documents/internal/eleMes.pdf">https://info.lse.ac.uk/staff/services/Policies-and-procedures/Assets/Documents/internal/eleMes.pdf</a>

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## Communications and Training

Will this document be publicised through Internal	No
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Communications?	
Will training needs arise from this policy	<b>No</b>
If Yes, please give details	